

Message Text

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PAGE 01 BONN 01374 01 OF 02 261821Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-10

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SAJ-01 DODE-00 OMB-01 NSC-05 MC-02 EB-07 COME-00

CIEP-02 FRB-01 H-02 /093 W
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R 261812Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5956

INFO USMISSION NATO BRUSSELS

UNCLAS SECTION 01 OF 02 BONN 01374

DEPARTMENT PASS TREASURY AND DEPARTMENT OF DEFENSE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: SPIEGEL ARTICLE ON OFFSET

1. SUMMARY. THE LATEST ISSUE OF THE WEEKLY NEWS MAGAZINE DER SPIEGEL CARRIES A SHORT ARTICLE ON US-GERMAN OFFSET AGREEMENTS. THE ARTICLE, TITLED "GENTLE THREAT", OFFERS LITTLE MORE THAN AN ELEMENTARY BACKGROUND TO PREVIOUS AGREEMENTS AND ENNUMERATES, FROM THE GERMAN POINT OF VIEW, THE CHANGED CONDITIONS ARGUING AGAINST A NEW AGREEMENT. END SUMMARY.

2. ACCORDING TO THE ARTICLE, CHANCELLOR SCHMIDT NO LONGER WANTS TO COMPENSATE THE US FOR FOREIGN EXCHANGE LOSSES INCURRED THROUGH THE STATIONING OF AMERICAN TROOPS IN GERMANY. REASON: POSITIVE US BALANCE OF PAYMENTS. THE ARTICLE CHARACTERIZES SCHMIDT AS HAVING TAKEN THE MATTER IN HIS OWN HANDS SINCE HE DOESN'T BELIEVE THE DEFENSE AND FOREIGN MINISTRIES HAVE BEEN TOUGH ENOUGH IN DEALING WITH THE AMERICANS. AFTER NOTING THAT THE LAST OFFSET AGREEMENT EXPIRED THE MIDDLE
UNCLASSIFIED

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PAGE 02 BONN 01374 01 OF 02 261821Z

OF LAST YEAR AND THAT THE AMERICANS HAVE LET IT BE KNOWN

THAT THEY ARE INTERESTED IN A NEW AGREEMENT, THE MAGAZINE QUOTES A SCHMIDT CONFIDANT AS SAYING "WE WILL PAY NOTHING MORE" AND SCHMIDT, "THE USA NO LONGER HAS A BALANCE OF PAYMENTS PROBLEM, THEREFORE THE PROBLEM MUST BE RETHOUGHT FROM THE GROUND UP."

3. THE MAGAZINE OBSERVES THAT THE SITUATION HAS CHANGED NOT ONLY BECAUSE OF THE IMPROVED US BALANCE OF PAYMENTS BUT ALSO BECAUSE THE GERMAN MILITARY ESTABLISHMENT IS NO LONGER ABLE TO ORDER AS MUCH NEEDED MATERIEL FROM THE US. TIMES HAVE CHANGED SINCE THE FIRST THREE OFFSET AGREEMENTS OF 1961-1967 WHEN THE US WAS THE IDEAL SUPPLIER OF MILITARY HARDWARE. NOW, WITH THE GERMAN MILITARY INDUSTRY BACK ON ITS FEET AND TO A LARGE EXTENT INTEGRATED WITH EUROPEAN PARTNERS, THE AMERICAN MILITARY SUPPLIERS ARE INCREASINGLY LOSING OUT. THREE SPECIFIC EXAMPLES ARE GIVEN:

1. THE GERMAN AIR FORCE IS PURCHASING ITS NEW GENERATION OF JETS - THE ALPHA JET AND THE MULTI-PURPOSE MRCA FROM EUROPEAN COMPANIES.

2. THE NAVY WANTS TO HAVE FRIGATES - AT ABOUT DM 350 MILLION APIECE - CONSTRUCTED AT KIEL, GERMANY. SHIPS FROM US SHIPBUILDERS ARE NOT IN THE RUNNING.

3. THE ARMY IS PURCHASING ITS ANTIAIRCRAFT ROCKET "ROLAND" AND ANTITANK ROCKETS "HOT" AND "MILAN" FROM GERMAN-FRENCH PLANTS.

4. THE ARTICLE OBSERVES THAT THE TREND AWAY FROM THE PREDOMINANCE OF MILITARY PURCHASES IN OFFSET AGREE-

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PAGE 01 BONN 01374 02 OF 02 261830Z

46

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UNCLAS SECTION 02 OF 02 BONN 01374

MENTS BEGAN IN 1967 AND THAT IN THE LAST THREE AGREEMENTS UP TO 40 PERCENT OF EACH AGREEMENT WAS IN THE FORM OF GERMAN PURCHASES OF US TREASURY BILLS AT LOWER THAN MARKET RATES. THE SPIEGEL REPORTS THAT ACCORDING TO THE ATTITUDE IN BONN, AN EXPANSION OF THIS ASPECT OF THE AGREEMENT WOULD BE SENSELESS SINCE THE BUNDESBANK IN ANY CASE NOW HAS A LARGE PART (DM 48 BILLION) OF ITS DOLLAR RESERVES INVESTED IN THE US, HOWEVER AT GOOD INTEREST RATES. THE CHANCELLOR IS REPORTED TO HAVE GENTLY THREATENED IN CONVERSATION WITH US JOURNALISTS DURING HIS OCTOBER VISIT TO WASHINGTON TO WITHDRAW THREE TO FIVE BILLION DOLLARS OF THESE INVESTMENTS IF THE US GOVERNMENT PUSHES FOR A NEW OFFSET AGREEMENT. THE ARTICLE SPECULATES THAT THIS SUGGESTION MAY NOT HAVE FALLEN ON DEAF EARS SINCE THE USA, ACCORDING TO EXPERTS IN BONN, ARE GRADUALLY COMING TO THE CONCLUSION THE ALREADY EXPIRED EIGHTH OFFSET AGREEMENT WAS THE LAST."

5. RESPONDING TO QUESTIONS ON THE SPIEGEL ARTICLE AT TODAY'S PRESS CONFERENCE, GOVERNMENT SPOKESMAN BOELLING SAID THAT HE COULD OFFER NOTHING MORE THAN WHAT WAS SAID LAST YEAR AND WHAT THE CHANCELLOR HAD SAID AT A UNCLASSIFIED

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PAGE 02 BONN 01374 02 OF 02 261830Z

PRESS CONFERENCE IN WASHINGTON - NAMELY "THAT THIS SUBJECT IS NOT ONE OF PRESSING IMPORTANCE AND THAT THERE ARE REGULAR CONTACTS."
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